

From: Mike Lynch <mrl@autonomy.com>
Sent: Thursday, July 23, 2009 4:04 AM
To: hcollet@autonomy.com
Cc: sushovanh@autonomy.com; mmooney@verity.com; anthonyb@zantaz.com; anthonyb@autonomy.com
Subject: Re: Fw: Follow up question

Harald,
pls take attached doc, read it and CUT AND PASTE JUST the TEXT into a text email reply to them

MM and AB I will call on this

mike

At 02:50 23/07/2009 +0000, Harald Collet wrote:

This doesn't capture what I told them. I assume some of this comes from former OEM reps .

I'll call you first thing in the morning.

Sent via BlackBerry by AT&T

-----Original Message-----

From: "Foong, Leonie" <lf@lpcap.com>

Date: Thu, 23 Jul 2009 08:03:03

To: 'hcollet@autonomy.com' <hcollet@autonomy.com>

Cc: Krishnan, Eashwar <ek@lpcap.com>; Gaonkar, Mala <mg@lpcap.com>

Subject: Follow up question

Hi Harald,

Thx very much for speaking with us today. We have a follow up clarifications on the typical OEM deal structure you mentioned.

- 1) Is there any "hosted" component to some OEM deals which requires either pre-payment of licenses or ongoing license fees?
- 2) What are pre-paid royalty fees if such a thing exists?
- 3) Using an example, could a customer choose to prepay upfront a portion of his future expected royalty payments, and subsequently pay less royalty payments in the future (when his products gets

shipped). You mentioned some royalty rates go as high as 30%; I'm wondering whether there is any structuring that a customer might do to lower that royalty rate, but to pre pay a portion upfront.

Thx very much. Also forgot to mention that Eashwar will be in NY soon and would love to meet up if you're free.

Leonie

Sent using BlackBerry

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Dr Mike Lynch OBE FREng

CEO Autonomy

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Hi Harald,

Thx very much for speaking with us today. We have a follow up clarifications on the typical OEM deal structure you mentioned.

- 1) Is there any "hosted" component to some OEM deals which requires either pre-payment of licenses or ongoing license fees?

No this would not be normal (can't think of one), there may be deals like this in the EDD and hosted archiving group but not in the OEM business.....but I guess we would consider it if it arose.

- 2) What are pre-paid royalty fees if such a thing exists?

The 200k upfront payment that customers make covers the first quarter of royalties when they start shipping (typically 2 years later). It is not normal for customers to pay upfront royalties. I believe Verity did this kind of thing before the acquisition by Autonomy but it is not our model. (I think insistence on this old verity model was one of the reasons Chad was let go) We aim to maximise the royalty stream not the upfront.

- 3) Using an example, could a customer choose to prepay upfront a portion of his future expected royalty payments, and subsequently pay less royalty payments in the future (when his products gets shipped).
You mentioned some royalty rates go as high as 30%; I'm wondering whether there is any structuring that a customer might do to lower that royalty rate, but to pre pay a portion upfront.

Prepaying would not reduce the royalty rate even if we did it, although I guess we are always open to considering any deal (not my call that would be the CEO) this is not how we work, as I said our goal is maximum ongoing royalty not upfront.

There is one area that might cause confusion. An OEM customer enters a deal with us for specific of the 500 functions we sell (typically 4 or 5 of them) ships them inside each time their software is sold and pays the royalty on each one sold. Sometimes although their product has these 4 or 5 functions one specific of their end customers might need another function not in the OEM agreement in which case for this one end user the OEM can resell the extra function as a one off licence solely for that end user (i.e. for this one sales the OEM is acting as a reseller as well as an OEM). There can also be deals where the OEM is only licensed to a certain amount of data/speed per end user and in the event of them selling to an end user with bigger needs they can pay a one off royalty kicker for that customer.

Remember a company like Sybase may be an:

- 1 OEM paying a royalty to us on their shipping product,*
- 2 may also be a reseller of licences for other functions to augment the OEM product in specific end customers,*
- 3 resell Autonomy non OEM licences and*
- 4 may also be doing systems integration work using Autonomy software.*

The OEM group would only see the first 2 cases, the rest is non OEM but to the same company

How the above helps

Thx very much. Also forgot to mention that Eashwar will be in NY soon and would love to meet up if you're free.

Leonie

United States District Court
Northern District of California

Trial Exhibit 3118

Case No: CR 18-0577 CRB

Date Entered: _____

By: _____

Deputy Clerk